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ABSTRACT

An examination of the changes that are likely to occur in work and productivity in the future reveals that, at least before the year 2000, Americans are not likely to see many new jobs created and will probably not be required to alter their skills greatly for existing jobs. It will be difficult to duplicate the sustained productivity attained during the first two decades following World War II. While it is true that high technology is entering the workplace at an ever accelerating pace, it is easy to overstate the impact of these changes. Faced with increasingly better educated and more affluent employees, employers are turning to changing employer-employee relations as a means of satisfying workers' quests for self-esteem. Included among the problems already affecting the workplace, and likely to continue to do so, are the increase in the numbers of displaced workers and declining areas, the underclass and feminization of poverty, and the existence of fewer entry-level jobs as older workers delay retirement. These factors have a number of implications for the insurance industry that industry planners must take into account when developing products and planning promotions for them. (MN)

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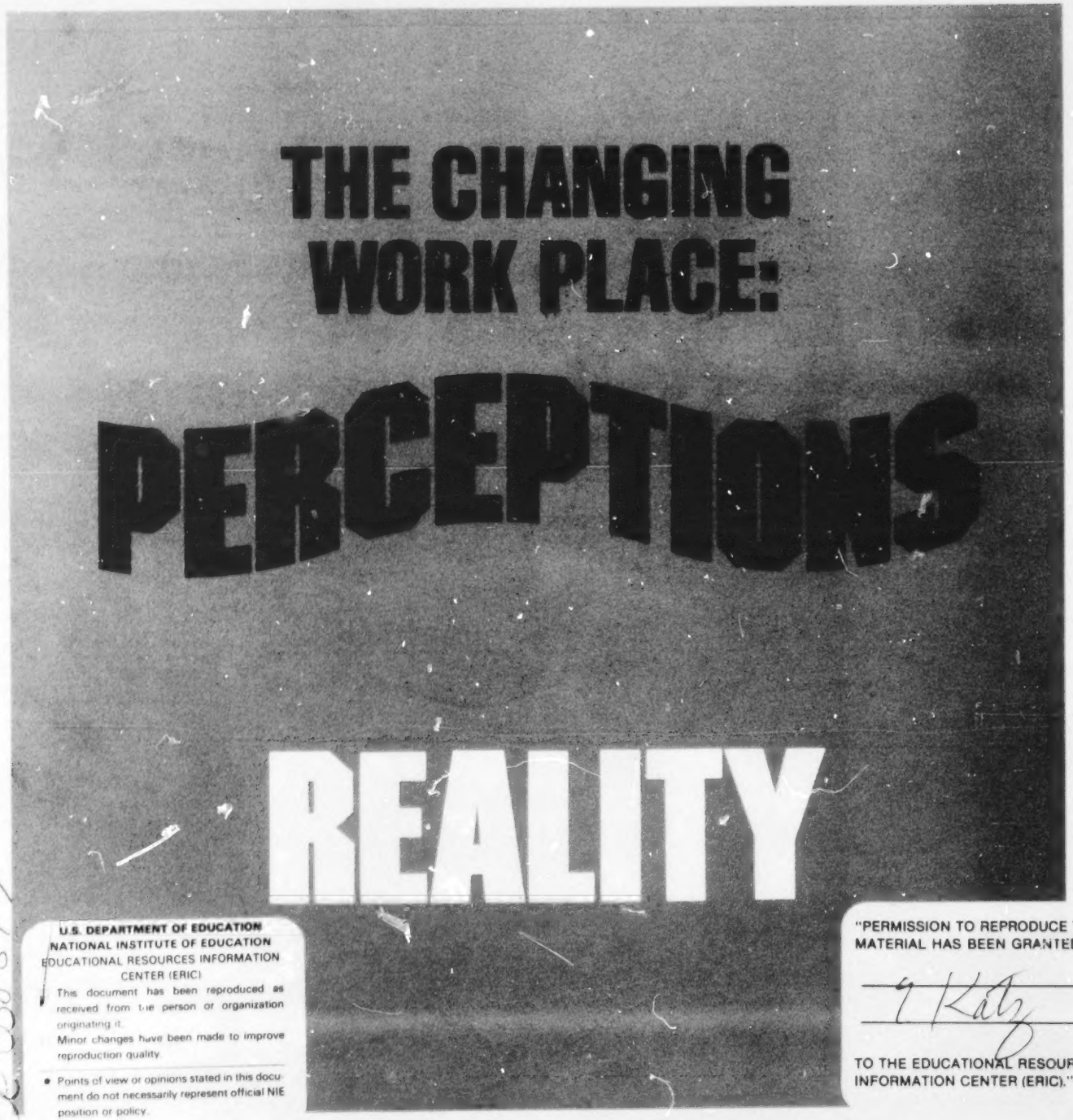

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AMERICAN COUNCIL OF LIFE INSURANCE

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Foreword

■ 2

Much national attention continues to be devoted to the changing nature of work and the work place. The introduction of powerful computers and robots into the work place in particular, with its implications for productivity, worker displacement and other consequences has captured the interest of Americans.

The life insurance business has a major interest in this area. Its own work force is being affected by the technological revolution and the stresses and strains pertinent to all employees. Additionally, as suppliers of fringe benefit products and individual products often meant to replace income lost when work cannot be performed, the life insurance business has a deep interest in any changes in the labor market.

In 1978, as demographic movements, new management styles, alternative work schedules and revolutionary technologies were starting to alter the work place, the Trend Analysis Program published *"The Changing Nature of Work" (TAP #17).*

Since then TAP monitors have continued to document the changes taking place in the worker, the manager and the work place.

Many experts forecast revolutionary changes in the work place within the next dozen years. Some feel that they will occur at least *by* the year 2000. As we noted in *TAP #17*, "(these changes) add up to a pattern of change that is potentially of the magnitude of the Industrial Revolution." But what can we say about their timing? That is, can we expect positive change in the near term (10-15 years) or might we expect, as other abstracts from monitors suggest, a certain period of painful readjustment? If this painful readjustment does occur, what implications might it have for us in the short term?

It is with these questions in mind that we have returned to the issue of work first addressed in *TAP #17*. We thought some general assumptions about change in work and the work place, brought about primarily by electronic technology, should be reviewed again.

The Trend Analysis Program asked Dr. Sar Levitan, Research Professor of Economics and Director of the Center for Social Policy Studies at The George Washington University, and noted authority on the subject of work, to give us his thoughts on the changes in work and the prospects for productivity increases in the near term.

Unlike many other thinkers on the subject, Dr. Levitan does not believe we are likely to witness tremendous transformations before the year 2000. Concerning technology and the creation of many new jobs and job skills, Dr. Levitan believes we should expect fewer new jobs will be created and that skills for existing jobs will not change much. Dr. Levitan believes that the images of change in work, created by futurists and others, will be much slower coming than we might expect.

One of the most compelling arguments he makes is that we should not expect economic conditions to improve much in the next 12 years; with slow growth, lower productivity gains, and an adequate supply of labor as a result. (Some studies have forecast a shortage of entry-level workers in the next 12 years as the baby bust enters the work force. Levitan says that a combination of older workers staying on longer and technology replacing others will cause labor to be in plentiful supply.)

Moreover, these developments should impede the application of advanced technology in the work place. What application there is may be less than revolutionary as Levitan believes new technology will generate lower-skilled *and* lower-paying jobs in far greater numbers than higher-skilled jobs.

He notes that there is a mismatch between the educational level of American workers and skill requirements, also discussed in *TAP #17*, and that that condition is likely to continue.

Perhaps most interesting of all, Levitan does not see work place democracy becoming widely adopted. Nor does he see job redesign to accommodate more meaningful work being adopted any more than job redesign strategies of the past, as he says, "The concept of redesigning or enriching jobs is fundamentally a challenge to the idea that technology dictates work organization and job content." ■

Introduction

When asked to predict the future course of the stock market, J. Paul Getty is reported to have replied: "It will fluctuate." Those who risk more specific forecasts must be prepared to be humbled. Even the wisest pundits and experts are often flatly wrong. Recent predictions of the economic prospects for the 1980s are a good example. In a familiar ritual, *Business Week* predicted at the beginning of the decade, ". . . more inflation on the top of the current double-digit rate." The Institute for the Future predicted an annual average increase in the consumer price index of 8 percent and "nothing is likely to have a bigger impact on the U.S. economy than continued increases in energy costs." Only three years later, these projections have become victims of the unforeseen—the Reagan victory, the world oil glut, the deep 1981-1982 recession and recovery.

Even the Bureau of Labor Statistics with all its expertise and caution about its projections, underestimated the number of women who entered the labor force during the 1970s by more than 6 million. And to take a longer view, most of us would be starving or worse, if the Reverend Thomas Malthus had been right about the number of people that our globe could sustain. Clearly, forecasting the future of work in America a dozen years hence is a dangerous pastime. But the temptation to foresee the future overcomes the cautions. The lesson is clear, if we must forecast, we should do so often.

Any speculation or projections about the nature of work and the labor force in the next decade involves not only assumptions about the growth of the economy and productivity, but also about family formation, fertility, education, the course of labor-management relations, and many other trends. The further we move away from the present, the easier it is to speculate about the future. The crystal ball dims, and the imagination takes over unconstrained by nagging facts transforming projections into idle speculation devoid of substance. Despite the attractiveness of "year 2000 and beyond" speculations, managers and policymakers must plan for the more immediate future on the basis of rational expectations and available information.

For practical purposes, it is futile to plan for more than a dozen years hence, except in unusual circumstances. Beyond this horizon, overall economic conditions and the competitive situation of industries and firms can change so fundamentally as to make planning an idle exercise. The manager or public official who in 1971 had predicted that by 1983 oil would cost $30 per barrel and that Japanese companies would lead the world in the production of automobiles, steel and computer memory chips would likely have been fired, if not confined, for his or her own safety.

Underlying Assumptions

Before exploring the likely changes in work and workers in the years ahead, two assumptions should be made explicit. First, basic economic conditions will not differ dramatically from post-World War II trends. To paraphrase Getty, "the economy will fluctuate." Second, productivity will grow but not at the high rates experienced during the 1950s and 1960s.

■ **The economy.** It is fashionable these days to talk about the cataclysmic transformation that labor markets will experience as a result of computer technology. Images of people working at home transmitting their products electronically to central offices or the revival of cottage industries reflect the vivid imaginations of futurists rather than likely developments in the work place. No doubt, the changes are going to be pervasive, but the rate of change will be slower than many futurists have predicted. During the next few years we'll have to concentrate on undoing the damage wrought by the recent recession. And for the time being, it appears that the current recovery is going to slow down before long. Our experience during the past decade certainly does not justify optimism about our ability to con-

Table 1
Civilian labor force, 1982 and 1995
(numbers in millions)

Age and sex	Population		Labor force		Percent in labor force	
	1982	1995	1982	1995	1982	1995
Total	171.0	186.0	110.3	132.0		71.0
Men	81.5	88.0	62.5	69.8	77.0	79.0
16-19	7.9	16.4	4.5	4.7	57.0	66.0
20-24	10.1	7.6	8.6	6.6	85.0	87.0
25-54	42.7	52.2	40.4	49.1	95.0	94.0
55-64	10.2	9.7	7.2	7.0	69.0	72.0
65+	10.4	12.1	1.8	2.4	17.0	20.0
Women	89.7	98.0	47.8	62.2	53.0	63.0
16-19	7.9	6.4	4.1	4.2	52.0	66.0
20-24	10.7	8.2	7.5	6.6	70.0	80.0
25-54	45.4	55.2	30.1	45.3	66.0	82.0
55-64	10.7	10.6	4.9	4.7	46.0	44.0
65+	15.0	17.6	1.2	1.4	8.0	8.0

SOURCE: Employment and Earnings, January 1983, Table 3 for 1982 data, and author's estimates for 1995

trol swings in the business cycle. If past history is any guide, it is reasonable to anticipate at least two recessions before 1995. Let's hope they will be milder and shorter than the latest recession.

■ **Productivity.** It will be difficult to duplicate the sustained productivity growth attained during the first two decades following World War II. Slow economic growth, historically low rates of savings and investment, intense foreign competition and allocation of a rising share of gross national product to defense are hardly conducive to rising productivity. Competing explanations have been offered for the decline of productivity growth since the postwar period, and the debate over causes and appropriate responses will not be quickly resolved. Nonetheless, the weight of evidence strongly indicates that productivity gains will be achieved at a relatively slow pace during the next several years. Lackluster productivity performance will also weaken the nation's ability to combat inflationary pressures and to compete in world markets and consequently will inhibit the expansion of employment opportunities for those who seek work.

Labor Supply

Forecasting the labor force in 1995 is relatively safer than predicting other activities because much is given. Barring a catastrophic upheaval, the supply of labor that will be available in 1995 is already here, even if some of the potential entrants are still in kindergarten. About five of every six persons who will be in the work force by 1995 are working or looking for jobs. Many of these workers will experience difficulties in finding gainful employment in the 1980s and 1990s because relatively slow economic growth will be compounded by an anticipated ample supply of labor (Table 1). The steady expansion of the labor supply will be fueled by diverse trends within the following population groups.

■ **Young adults.** The civilian population age 16 to 24 years will decline by 7 million to 28.5 million. Although this demographic shift will tend to decrease labor supply, the labor force participation of this age group should increase as the financial incentive to accumulate additional years of education diminishes. The Bureau of Labor Statistics has projected that the supply of jobs requiring college training is going to lag behind the number of college graduates. The laws of supply and demand are catching up with our educational system as the traditional high economic returns on longer education are diminishing and are likely to continue to do so. While the cost of college education is rising, the earnings of graduates exceeded those of high school completers by 52 percent in 1982 compared to 65 percent 20 years earlier. More young adults may therefore opt for starting their work careers at an earlier age and college enrollments are going to decline.

■ **Older Workers.** At the other end of the age spectrum, more workers aged 65 and older are likely to remain in the labor force. Not only have earnings limitations been relaxed, but laws barring age discrimination have encouraged workers to remain on the job past age 65. Congress has mandated that in the next century—beyond the period of this review—retirement will be delayed. The working generation is becoming less and less willing to support the retired generation for even longer durations as longevity continues to increase. A revival of the inflation experienced during the past decade would reduce the value of private pensions and could also induce workers to remain in the work force longer.

■ **Women.** There is also every indication that female labor force participation will continue to climb, accounting for about three of every five additions to the work force. If trends during the past decade continue, women will constitute 47 percent of the total work force by 1995 and more than two of every three employees in the insurance industry. Between 1972 and 1982 total employment in the industry rose by 455,000 and women accounted for about four of every five of the employment increment.

Once they enter the labor force, women are behaving more and more like men, as breadwinners with high labor force attachment. The changing structure of the family is reinforcing this trend. While the wrenching changes that the family has undergone during recent decades may have abated, and, indeed, family structure may have stabilized, the divorce rate remains at historically high levels. More than nine of every ten children who are the products of divorce stay with their mothers and only one of every three divorced fathers supports his children. As a result, the pool of women who have to support themselves and their families will ensure rising levels of labor force participation in the coming years.

Even in stable families, wives and mothers find it increasingly attractive to enter the labor force rather than to limit their working activities to their homes. Modern bedroom technology has made it possible for couples to plan the size of their families and for more than a decade now, families have chosen to follow sparingly the Biblical admonition to be fruitful and multiply. Instead, they have limited their progeny to a bare 1.8 children per couple, not even enough eventually to maintain zero population growth. This lower fertility rate makes it easier for women to enter and to stay in the labor force with minimal interruptions.

■ **Immigration.** A final factor that will add to the labor supply is the continuing influx of migrants into the United States. Congress has made several halting attempts to control immigration. Even if a law passes, there is no guarantee that it will be successful in stopping the influx of immigrants. The attraction of the United States to foreign immigrants need not be belabored. Several millions—no one knows the exact number—have entered the country illegally and are now working in the United States. It would take drastic federal enforcement measures to slow or halt this flow across our borders, an unlikely occurrence given the strongly ingrained American tradition to provide a haven for migrants combined with the pressures from civil libertarians, Hispanic organizations and some business groups desiring a cheap supply of low-cost labor. ■

The Changing Nature of Work

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Another Viewpoint

"As a consequence of technological advances and expanded trade, management expert Peter Drucker predicts that in the next 20 years U.S. manufacturing employment will drop from 21 percent of the work force to less than 10 percent, eliminating 10 million to 15 million jobs. Even if Drucker is only half right, between 5 million and 7.5 million manufacturing jobs will disappear. At least an equal number of service jobs will also become obsolete.
At the same time, millions of jobs will be created. The rapid advances in computers during the past two decades and the explosion of computer-related jobs are a classic example of how the technological creation, obsolescense and replacement process works and how it creates jobs."

"The Work Force in the Future", by Pat Choate and Noel Epstein, ***Nation's Business,*** *November, 1982.*

If these observations about economic conditions and the labor force are not far off the mark, then we may expect relatively loose labor markets during the coming decade with slow growth in productivity and a more than adequate supply of labor. These developments should impede the application of advanced technology in the work place. The robots may be here, but the fears (or hopes) that future jobs belong to them are grossly exaggerated at least for the coming decade and for many years thereafter. While the widespread effects of the new technologies have yet to be felt, futurists with creative imaginations inevitably cast us as poised on the brink, a few small steps from sweeping change and a dramatically different world.

High Technology Skills

The work place has been changing at an accelerated pace and there is every indication that this transformation will continue. It is, however, easy to overstate the impact of these changes. Computer technology is going to generate a wide variety of service jobs. These include both the most sophisticated and demanding and the most mundane and boring work. It appears that in the near future the new technology will generate lower-skilled and lower-paying jobs in far greater numbers than higher-skilled jobs. The Bureau of Labor Statistics estimated that for the rest of this decade, for every computer operator that will be added to the work force, there will be an increment of four janitors, three fast-food workers, and three truck drivers.

It follows that the work place a dozen years hence is not going to be much different than it is today. Even if some 250,000 robots were built to do some of the more repetitive labor that is now being done by humans, this will replace only a tiny fraction of the 129 million people who will be in the labor force by 1995. For every "working" robot, there will be more than 500 people in the labor force. Robots may be diligent and hardworking, but they are hardly going to displace any significant proportion of the labor force during the next dozen years. Indeed, the number of robots may not reach as high as 250,000 if the dire predictions of some futurists come true and the United States loses much of its current manufacturing to foreign competitors.

Lack of capital will also impede the rapid expansion of the new technology. Virtually all capital-intensive industries have a massive investment in existing plant facilities, and they cannot afford to squander these resources through the wholesale replacement of working machinery. More importantly, the financial constraints on capital formation necessarily limit the rate at which new technologies are introduced. General Electric Company recently spent $316 million to turn an old locomotive manufacturing plant into a model of state-of-the-art automation, a capital investment well beyond the reach of all but the largest and healthiest corporations. Should the dire predictions of dwindling U.S. market shares in manufacturing come true, the most suitable sector for adoption of robots may be even less able to bear the costs of automation. While microprocessor technology may be promising in its flexibility and potential efficiency, industries must be able to afford the new acquisitions in order to use them.

The applications of computer technology are not limited to robots. Discussions of the impact of technology usually center on jobs in the smokestack industries. It would be more appropriate to dwell on the numerically more populated occupations. Employment in the insurance business, which employs nearly four times as many employees as basic steel, has been particularly adaptable to the use of microelectronic technology. No doubt the content of many of these jobs in insurance and other industries will change. But these changes may appear to be less significant than the intrinsic skills that go into performing these jobs.

The most numerous occupation in the American economy is that of secretary.

Today there are some 5 million of them performing diverse chores in the work place, including more than 1 million employed by insurance carriers. Despite the introduction of various pieces of office equipment over the past century, the skills of a secretary have changed very little since the typewriter was introduced in the 1870s. Whether secretaries operate a manual typewriter or one pushed by electric power or a word processor, whether they use carbon paper or a photo offsetting machine, or whether they answer a one-button or a 100-button telephone, the skills to perform the job have remained essentially the same—an ability to operate the machine and, more significantly, to spell correctly. Indeed, the importance of the latter skill may be diminished as word processors will be programmed to include dictionaries. The work of the secretary does not end, obviously, with the ability to type and the myriad of other administrative and related skills that secretaries have been performing are hardly going to change. The computer may replace the rolodex, and the voice-to-digital transcriber may supplant the dictating machine, but there is little prospect that the secretary's administrative and planning duties which require human interaction will change in the foreseeable future.

Technology may result in a similar pseudo-transformation of the jobs performed by the nation's two million cashiers. The computer may record transactions on magnetic tape, but the goods that the stores sell will not go free. Even if check-out stands are automated with optical scanners, someone besides the customer must manage the cash register whether payments are made with plastic cards or old-fashioned cash which is not going to be completely out of fashion. Similarly, sweepers may be working with a vacuum cleaner instead of a broom, but they'll still have to pick up the same old dirt, and garbage collectors, even if they are called sanitation engineers, will still collect garbage although they may do so in an air-conditioned truck.

The evidence seems to be overwhelming that the economy is not going to generate within the next dozen years any extraordinary demand for new skills. The innovations created by the new technology may appear

to us, the first generation of observers and participants, as promising revolutionary transformations of work and society. But though society may indeed be changed, work will remain quite recognizable. Three generations ago the horseless carriage promised a similar cataclysm. But before long the bulk of the workers involved in producing automobiles required only minimal skills. And while most adults learned to drive a car, the job of the more than 3 million truck drivers, chauffeurs and cab drivers has hardly changed in the past threescore years. Whatever wonders the new technology may spin, the production managers who develop the products for marketing will create a technology that will simplify work and require only marginal changes in skill requirements. Already many of the new technology products are being simplified so that they require no more than untrained human skills. There is, therefore, little reason to expect that the new technology will radically alter skill requirements, although it may affect the demand for labor. The word processor may reduce the demand for typists and optical scanners may cut the number of stock clerks employed in retail stores, but the rising productivity of the workers using the new technology may create increased demand for their skills. During the past decade, the growth of the insurance industry boosted the number of clerical workers by 23 percent.

Better Educated and More Affluent Workers

While the nature of work will change only gradually, the problems faced by management and labor are likely to alter. Even if the tasks that will be performed in 1995 will differ little from the work done today, it would be a mistake to underestimate the changes that will occur in the work place over the next dozen years. As noted earlier, American workers have extended their years of schooling during the post-World War II period to an unprecedented degree. In 1940, the median American worker attained just slightly more than a grade school education. Today more than half of all workers have a smattering of college and three of every four employees in American industry are now high school graduates. There is no reason to believe that 12 years of schooling will not continue to be the norm before workers enter the labor market.

It appears that the requirements of the labor market have not kept pace with the expectations of a better educated work force. American society is becoming increasingly skeptical about the benefits of adding to the labor force year after year close to a million college graduates, some 300,000 masters, and over 30,000 Ph.D.s, not to mention close to 100,000 lawyers, physicians and related professionals. The Bureau of Labor Statistics estimated that during the 1960s almost 90 percent of college graduates entering the labor force assumed professional, technical, managerial or administrative roles, while during the 1970s, one-third with like education had to settle for lesser positions. Given the potential of computer technology for enhancing the capabilities of managers and administrators to control larger organizational units, the current mismatch between skill requirements and workers' educational attainments is likely to continue.

Along with the educational upgrading, the nation's work force has also experienced growing affluence. The majority of American families no longer depend upon the earnings of one breadwinner, as married women with spouses present—to use the government statisticians' phrase—are now in the work force. This proportion of two-earner house-holds is likely to increase further in the next dozen years. Even if earnings climb slowly, the total financial resources of families will continue to rise. With fewer mouths to feed because of the anticipated low fertility rates, American families will enjoy continued boosts in discretionary income.

'High Tech' Is No Jobs Panacea, Experts Say

"Communities and regions beset by unemployment and a cloudy economic future because of the loss of manufacturing jobs are working diligently to attract companies involved in high technology. But the strategy is unlikely to solve long-term economic problems, according to experts in labor and the work place.

"The experts have three main reasons for their conviction: Many more jobs will be lost to industrial layoffs than will be gained in the advancing technology fields in the coming years; the communities that are losing industrial jobs are not likely to be the same ones that attract high technology, and the new jobs generally do not pay nearly so well as the old ones."

The New York Times, *September 18, 1983*

Technological Imperatives

Higher educational attainment and greater affluence among employees will require greater sensitivity by management to the concerns of their work force. Still no fundamental departures from present practices are on the horizon. A review of past experience offers some insight as to difficulties that participants in the work place are likely to encounter in attempting to improve the quality of work while continuing to raise productivity, wages, and profits. The goal will be to enrich the new jobs in order to achieve greater productivity as well as work satisfaction, but the results may prove elusive and frustrating as they did in the past. There is little chance that the jobs generated by computer technology are going to meet with any greater success for job redesign or enrichment than the jobs that prevail now. And the obstacles to enriching these jobs are going to be the same as those that prevent job restructuring today. Indeed, a case can be made that the difficulties will become even greater as jobs become more routine and depersonalized with the spread of computers.

The concept of redesigning or enriching jobs is fundamentally a challenge to the idea that technology dictates work organization and job content. Even if technology is not an absolute determinant, it remains a decisive influence in the great majority of work settings. Particularly in mass production systems there is little room for variation of work rules without decreasing productivity. The most profitable insurance company could not afford personalized billings. The traditional structure of mass production industries and large organizations has not evolved haphazardly. Specialization may be costly in terms of human satisfaction, but it promises relatively low unit costs. Batch production made possible by flexible automation will not eliminate the economies of mass production, even if it may modify production processes. The new technology will not make obsolescent the logic which first spawned the division of labor as an essential ingredient of efficient mass production. Plants manufacturing durable goods contain more than $60,000 of fixed capital per workers, and these costs are constantly rising. As computer-driven machinery is introduced to ensure more stringent quality controls, the factory will become increasingly capital-intensive and even less susceptible to the dramatic reorganization of work processes. It is hardly surprising that the most innovative experiments in job redesign have been undertaken in newly-structured facilities, without the limitations implicit in years of accumulated capital.

Changes in the work place are painfully slow and evolutionary in nature. Job content may be far from ideal in terms of potential work satisfaction, but it does reflect the plodding rate at which new technologies are adopted in a rational search for production efficiency. Industrial psychologists can sweep through factories unlocking executive toilets and removing time clocks, and such incidental improvements in the work environment may bolster worker morale, at least, temporarily. Yet the same workers and machines will be left to crank out widgets or process forms, with little flexibility to alter basic production processes. Placed in a realistic framework of technological change and production constraints in competitive markets, efforts to redesign work can do little more than correct excessively narrow definitions of efficiency and serve as reminders that workers remain a significant variable in the drive for improved productivity.

Labor-Management Cooperation

Recognizing the difficulties of overhauling the work place, management is turning to changing employer-employee relations as a means of satisfying workers' quest for self-esteem and of enhancing productivity. There are persuasive reasons for management to adopt participative management techniques. By listening to workers, management can

Another Viewpoint
Reforming Work

"While politicians and economists debate ways of shoring up the economy, a quiet revolution is taking place on the shop floors and in offices across America. Dramatically, increased employee participation in management and ownership is reducing alienation and improving productivity, in addition to changing the relationships among workers, managers and owners."

The Washington Post, *October 25, 1982*

tap new ideas and enhance the employees' sense of dignity. The hope, however, that the adoption of the new approaches would radically alter the work environment or radically change labor-management relations is just that. It will be difficult to transform the traditional adversarial relations between labor and management at the work place.

With or without the influence of unions, prospects for cooperation between labor and management are limited by their divergent interests and priorities. Participative management techniques can be valuable in utilizing the full potential of human resources at the work place to the benefit of both management and labor but they do not provide the basis for collaborative agreement over the allocation of limited resources.

Unless accompanied by a full sharing of responsibility, power and profits, newly-heralded participative management schemes cannot provide the rights and benefits which would cause labor to join management in genuine cooperation. American labor traditionally has shown little interest in partnership with management, reflecting a set of worker priorities. Workers (unionized and non-unionized) will continue to show little inclination to sacrifice compensation for a muted voice in corporate decision making.

In many ways, participative management schemes represent the latest reincarnation of traditional attempts to secure the voluntary cooperation of workers and to encourage their identification with profit-maximization goals. Employers have remained acutely aware of the costs associated with participative management techniques, measuring the success of cooperation in terms of tangible benefits on the bottom line. Typically, labor's priorities are ignored when they conflict with profit-maximization efforts, and workers are allowed to participate in corporate decision making only insofar as they do not infringe upon management prerogatives. Contemporary initiatives to motivate workers may be dressed in new packages and delivered with fanfare, but they leave corporate power structures unchanged and give workers no alternative to confrontational methods in protecting and advancing their interests.

Authoritarian and meritocratic norms are deeply embedded in American culture, with great emphasis placed on individualism and competitive struggle for recognition and authority. As a result, the concept of collaborative decision making and its implicit diffusion of responsibility and control is typically rejected in large American organizations as foreign and counterproductive. Because both managers and workers are accustomed to hierarchical structures, they continue to be reluctant to embrace participative values at the work place.

The collaboration between labor and management during the 1981-1982 recession, as manifested by concessionary agreements, was the product of adversity in industries deeply impacted by the recession. It is not likely that these collaborative efforts will last. Once the economy appeared to recover from the recession, the traditional adversarial relations between labor and management have become manifest again.

The conflicts in the work place will intensify if top management follows the widely-proffered—solicited or gratis—advice aimed at making corporate America "lean and trim." Arguing that "only the leanest-fittest companies will survive to the rest of this century," a *Business Week* article predicted that increasingly the axe will fall on middle management. Peter F. Drucker and Lester Thurow, among many others, have also exhorted American business to reduce its midriff bulge. In the present difficulties faced by large segments of the economy, including nonprofit organizations, these preachings are not without appeal. Yet if management follows this advice—which is an extension of the traditional treatment of manual labor as a variable cost rather than a fixed asset—it may backfire. No doubt, corporate America could get along with fewer executives and managers but the costs of firing them may exceed the benefits. Efficiency is not the only force driving business, and reducing labor costs in the short run is

not certain to guarantee growth and productivity gains over the long run. The *Business Week* article, though it recommended firing middle managers, recognized the hazardous consequences that may follow the trimming of mid-management fat, including the radicalization of this stabilizing force in our society. Raising conflicts in the work place is not the way to boost productivity. The computer technology will continue to spout out on the screen or on paper more and more data which will require analyses and judgments beyond the capability of the computer. The challenge will be to shift middle management duties and responsibilities to more productive work.

So far there is little evidence that corporate America has heeded this advice and it is likely to be rejected in the future. The media may publicize anecdotes of sharp cuts in middle management and no doubt many organizations faced by adversity were forced to cut some of their managers and executives. The overall figures do not show any massive cuts. The Bureau of Labor Statistics reported that the total number of managers continued to grow overall during the depth of the recent recession in 1982, and even manufacturing industries showed no decline. ■

The Problems We Will Face

■ 12

The brief review of likely future trends strongly suggests that no revolution in the work place is in the offing. Managers and workers in the labor market will continue to face problems as they always did.

Economic Growth

The rate of economic growth will remain a pervasive factor affecting the problems of the work place. It is idle to hope that the economy will escape the ups and downs associated with business cycles. The more realistic goal is to achieve long-term, even if not sustained, economic growth.

To implement new technologies and to raise productivity, business will have to compete with other societal claims for the limited available capital. That in itself will place a considerable constraint upon business investment.

In scrounging for investment capital, the federal government will continue to compete with business for scarce capital. Tax cuts and defense increases mean that the government will have to borrow heavily to support the huge deficits the Treasury will be facing for years to come. Even if the federal government should succeed in divesting itself of some domestic responsibilities it has assumed during the past two or three decades, it is not likely that the voters will accept cuts in educational, medical, environmental, and related services that they have grown accustomed to receive from the government. If the federal government does not support these services, there will be increased pressures on states and localities to assume them. Continuing demands, therefore, by the citizenry for expanding government responsibilities, whether at the federal, state or local level, will require increasing allocation of resources for consumption, limiting the funds available for savings and investment.

Displaced Workers and Declining Areas

Private sector competition for resources will be intense. No doubt, expanding sectors of the economy will be able to attract human and financial resources. But the growth of high technology industries will carry high costs in terms of skill obsolescence. The use of computer technology and word processors is affecting not only clerical jobs in the insurance industry but also some highly technical tasks such as actuarial research and underwriting.

Even if new technologies create more jobs than they eliminate, in the short run they displace workers and many of the jobs that new technology is generating are not in the same labor markets, leaving many workers stranded in areas with job deficits. The results are high unemployment in the affected communities and an erosion of their infrastructure as a consequence of

their declining tax base. The 1981-1982 recession has exacerbated this problem, but it is inherent in the technological changes that American industry will undergo in the years ahead.

Skill obsolescence and changing production processes will raise the need to retrain and relocate displaced workers. Retraining alone costs $5,000 or more, per displaced worker. In most cases it will be difficult for a long-term unemployed worker to undergo effective training without some support. Assuming, therefore, that the worker is provided modest income support during training equal to the average unemployment insurance benefit, the total support needed per worker would be more than doubled. Adding the costs for administering the training and retraining programs, the average annual cost for retraining a worker will amount to about $12,000 and some may need more than a year of retraining to acquire new skills. Just to retrain 100,000 workers then might cost more than $1 billion. Present federal and state programs provide only a small fraction of these needs. Private industry has undertaken some of these retraining responsibilities, and it could do much more. The added obligations would, however, raise the cost of doing business and reduce the amount of resources available for investment in physical capital.

In the absence of tighter labor markets than we experienced during the past decade and because of structural changes occurring in the nation's economy, the workers may need to relocate in search of opportunities to utilize their newly acquired skills. Relocation programs whether funded from private or public sources would multiply the costs as well as compound the problems of the labor surplus areas. Displaced workers may have to abandon homes for which there would be no buyers and the social capital invested in those areas—schools, churches and other public facilities—may go unutilized. In contrast, the growth areas where the displaced workers will seek their fortunes will experience pressures to expand their public facilities. So far the public policy response to declining communities has been largely limited to reassurances that unfettered free enterprise will eventually resolve their problems. Policymakers have been searching for more efficient ways to ameliorate the consequences of skill obsolescence and plant closures but have not reached a consensus on the means of achieving the desired results.

Underclass and Feminization of Proverty

The problems of displaced workers will be compounded by the creeping rise in unemployment which our economy has experienced for more than a decade. Poverty, which had been declining since World War II, has been on the increase in the United States since 1978. For millions of people, work has not offered an escape from poverty because of low earnings or because they were members of large families. Nearly half of the 7.5 million households that lived in poverty during 1982 were headed by persons who were in the labor force, including 1.4 million family heads who worked full-time, year-round. We are facing the spectre of an increasing proportion of the population being excluded from the mainstream of American life. A growing underclass would threaten the stability of our society.

Whether poverty will be reduced in the years ahead will depend to a large extent on the provisions that society will make for female-headed families. Even if divorce rates stabilize at the present level, more than a million children will be impacted annually by their parents' divorce. As long as women are concentrated in low-paying occupations, female-headed families will face serious economic problems and even deprivation. The travails of these families are compounded by the fact that single parents find it difficult to retain sustained work. Their jobs are interrupted by illness and lack

"What will 'women's work' look like in coming years? More tedious, more specialized, more susceptible to technical monitoring, accompanied by new health hazards . . ."

The New York Times, *September 19, 1983.*

of child care facilities. For many of these single female family heads, the answer lies in combining part-time work with welfare. The alternative is for employers to assume a greater responsibility for the needs of female employees by providing child care and related services. This would significantly increase the cost of labor and discourage employers from hiring women with small children. No consensus has emerged concerning this problem, but it seems clear that government should play an incremental role in providing support and improving the employment opportunities of women who head households.

Working Longer

A fourth troublesome problem that can be anticipated during the next decade is the delay of retirement which will create problems for the baby boom generation. Delayed retirement by senior employees will foreclose promotion and advancement for the baby boom cohort as it moves towards middle age. The rapid advancement that their parents enjoyed during the 1950s and 1960s will not be open to the generation that was born after World War II. This may be a source of friction and discontent in the work place.■

Implications for The Life Insurance Industry

The insurance industry will not be able to escape the anticipated societal problems. While the industry is apparently capable of generating the capital necessary to take advantage of the new technologies, it may not be immune to the challenges that will result from the blessings of growing productivity. As long as employment in the industry was growing, the insurance carriers and their agents were able not only to absorb most of the workers affected by automated processes but also to expand employment. During the past decade employment in the industry rose by one-third compared with a 21 percent growth rate for total U.S. civilian employment.

During the past decade, the insurance industry has more than kept up with the average rise of wages in American industry. Hourly rates paid by insurance carriers to nonsupervisory employees rose 116 percent compared with a 107 percent rise for all nonsupervisory employees in American industry. The indications are that the labor costs of insurance companies will continue to outpace increases in other industries. The insurance business is going to be a major benefactor of the emerging microelectronics technology. This will no doubt result in a reduced demand for additional labor and make some highly skilled occupations obsolete. Inevitably these developments will intensify employees' quest for job security and retention of the status that they enjoyed in their vanishing occupations. As noted, the retraining of employees may be costly and will require innovative management to cope with the problems generated by the new technology.

If management resorts to mass discharges of employees whose skills become obsolescent, it will face a discontented work force that will seek union intervention and protection. Personnel managers will find, however, that even in the absence of unions, discharges are not going to be cost-free. The firings may lead to time-consuming lawsuits unless current statutory provisions are changed—discharged employees can challenge the firings in the courts and they do so in increasing numbers.

Contrary to conventional wisdom, the increased feminization of the insurance industry work force may lead to rising labor

costs. Earnings differentials based on sex are unlawful and past practices are being challenged in the courts. A major problem faced by women working outside the home is child care. The predominance of women in the insurance industry is likely to generate demands for institutionalized child care subsidized by the companies as well as shorter hours without cuts in pay. Unless the government takes over a larger share of child care costs, the direct labor costs of insurance carriers may rise if the clamor of employees for institutionalized child care facilities rises.

Declining opportunities for promotion may further exacerbate problems of personnel managers. A revival of inflation in the near future that many economists predict may induce senior employees to delay retirement, foreclosing promotions to more recent entrants into the ranks of insurance companies. This may further generate employee discontent and frictions with management.

The industry is, however, likely to be in a good position to cope with these continuing and emerging problems, including the probable rising cost of labor. The industry's productivity is on the rise and it has not exhausted the potential labor saving devices that computer technology will bring to it. Interest in life and related forms of insurance is not abating. Even if workers delay retirement, increased longevity will still assure them added years of leisure. The recent national debate about social security suggests that the working generation is not willing to continue expanding public support for the retired generation. Active workers will therefore have to rely on their own resources to plan for the "golden years."

The changing family structure may also bode well for the insurance industry. Declining fertility does not suggest that the generation that is currently forming families cares less for children than their parents. It would be more correct to assert that the current generation places more store on quality than quantity. With the rising affluence of two-earner families, a share of their rising discretionary income will no doubt be invested in protecting their future well-being as well as that of their progeny. ■

More of the Same

The more things change, the more they are the same. The problems that people in the work force will encounter during the next dozen years may differ from the experience in past decades, but there is no reason to believe that the work place will be radically transformed, although the insurance industry may encounter more than its share of problems. Americans are continuing to work, and in much the same manner as their forefathers. The concern expressed by Wassily Leontief that "labor will become less and less important" has been heard repeatedly since the beginning of the industrial revolution. Despite its support by a Nobel laureate, this gloomy sentiment is no more true today than it was a century ago.

Overall labor force participation rates have actually climbed in recent years and are likely to continue to rise in the next dozen years. The insurance industry made significant contributions to the creation of jobs for the new entrants into the work force. Unless the economy experiences an unforeseen spurt in the growth of productivity, real earnings will rise only slowly. Average family income will grow more rapidly as more women enter the work force.

The level of skills required to perform the work that will be done during the next dozen years will not change radically. Computer technology will raise the demand for some highly skilled workers but once products advance beyond the research and development stage, production work will be simplified and division of labor will be adopted in order to mass market the products.

If, or when, jobs become plentiful again, the chances are that the old jeremiads about the presumed demise of the work ethic will resurface. This will happen even if more and more workers continue to flock into the work force. Instead of abandoning work, workers may push with greater emphasis than they did in recent decades for greater amounts of paid leisure rather than increases in real earnings. The rise in the number of families with two or more wage earners may add to the pressure for more time away from the work place in the years ahead. This push for more leisure will be partially an outgrowth of the relative affluence of multiple-income households, but it may also reflect an increasing pattern of husbands and wives sharing family responsibilities. This mutual acceptance of both provider and parenting roles will require an added measure of flexibility in work hours. These emerging needs in the modern family may well be translated into future demands for paid leisure and shorter or more personalized work schedules. This, again, is in line with long-term trends in traditional worker desire to minimize the number of hours that they are subject to the discipline of the work place.

The fear that Americans will abandon work or that there will be no work for them has no rational basis. People work for many different reasons. The desire for relative income gains and the social and psychological functions of work persist. By the same token, a highly productive American economy will be able to adjust to changing technologies and create jobs for most people who desire to work. Even as both jobs and workers change, the great majority of Americans no doubt will continue to find reasons for work and the American economy will generate the jobs for them.■

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